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ACCOUNTABILITY INITIATIVES
IN THE ONTARIO GOVERNMENT

Current Issue Paper 175



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(416) 325-3675
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Service de recherches
Bureau 2520, édifice Whitney
99, rue Wellesley ouest
Toronto (Ontario) M7A 1A9

(416) 325-3675
(416) 325-3637
téléc. : (416) 325-3696

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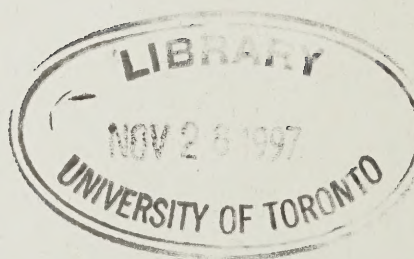
Prepared By:

Ray McLellan
Research Officer
Legislative Research Service

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ACCOUNTABILITY AND PARLIAMENTARY DEMOCRACY

The provincial government plays a fundamental role in the economic and social life of Ontario. The province's *1995 Fiscal & Economic Statement* reported revenues of \$46,786 million and a deficit of \$9,308 million.¹ Its sixteen ministries and approximately 700 agencies, boards, and commissions deliver a complex myriad of programs to people throughout the province.²

Is the public receiving value for money for their tax dollars? Are the government's objectives being realized through these expenditures? Is policy implementation and management of government programs effective? All of these are really questions about fiscal accountability; of how the government of the day is responsible for the effective expenditure of public funds and of how that responsibility is ensured and evaluated.

Accountability for the expenditure of public funds and effectiveness in the management of government have long been predominant concerns of politicians and public administrators. This paper reviews how the principles and structures of accountability within the Ontario government have evolved over the last 25 years.

The Principle of Accountability

Accountability is a basic principle of parliamentary democracies and it has a fundamental role in all elements of public administration. However, it " . . . is something of a parliamentary Holy Grail: endlessly discussed, much sought after, yet ultimately of uncertain existence."³

Two components of accountability can be identified in practice: first of all, the political realm of Question Period, debate in the House, legislative committees and the fundamental doctrine of Ministerial responsibility; and, secondly, the increasingly complex systems of administrative accountability and management within the public service. Ultimately, of course, these two realms must touch: one of the deans of Canadian political science, C.E.S. Franks, has written that "there cannot be effective accountability to parliament without effective internal accountability."⁴

The Ontario Provincial Auditor summarized the overall framework for financial accountability through the provincial Legislature:

In our system of government, elected members of the Legislature are accountable to the people of the Province. In turn, elected members hold the Government of the day to account for its proposed policies and plans and for its subsequent performance. Initially, the Legislature examines and approves what the Government intends to do. It authorizes the collection of revenue and other means of financing, and approves the ways in which the Government proposes to spend the funds raised. It then reviews

how well the Government has carried out the approved policies and plans.⁵

Historically, the doctrine of ministerial responsibility has underlain the principle of accountability in parliamentary government. F.F. Schindeler has suggested that "Ministerial responsibility means that each individual minister is accountable for his [or her] own decisions and for all the actions of the government department under his control. He must present his department's programs to the House, defend its policies, and answer questions concerning it. If he commits a personal indiscretion or blunder he is, according to theory, expected to resign."⁶

Today, the traditional notion of ministerial responsibility does not meaningfully describe current practice. It has become progressively more difficult for a minister to oversee all aspects of a ministry in the administrative as well as in the political sense. This matter was addressed by a major federal study, the 1979 Royal Commission on Financial Management and Accountability:

While we have no wish to dispute the principle of ministerial responsibility, there can be little doubt that today the degree to which a minister really has the effective management and direction of his [or her] department is open to question. In the context of developments in recent decades, we are dealing with a government vastly transformed from the time when the conventional view of ministerial responsibility was formulated. The twin assumptions that Parliament has the clout as well as the information to exact a relevant accounting, and that the departments can be managed and directed by ministers, do not hold as they once did. We believe that the application of the principle must be reconsidered in the light of changed conditions.

. . . Thus, ministers should not be excused from responsibility for the actions of their departmental subordinates. These considerations suggest that additional means are required for ensuring that their officials are, in fact, fulfilling responsibilities that have been assigned to them, and are being held accountable for their performance."⁷

What this has meant is that administrative accountability structures and mechanisms have become increasingly important as government has become more complex. Accountability has been defined by the Ontario Management Board as:

. . . the obligation to justify actions or decisions taken in the execution of certain responsibilities. In the Ontario government, accountability is established and maintained primarily through the use of: defined expectations with regard to the results of certain managerial activities; and reviews of manager performance in light of these expectations.⁸

The Royal Commission on Financial Management and Accountability suggested that accountability is "that quality of a system that obliges the participants to pay attention to their respective assigned and accepted responsibilities, to understand that it does matter. Thus the likelihood that agreed goals and objectives will be attained is enhanced."⁹ The Commission elaborated on the functional criteria of such a system:

It should be capable of planning and defining the government's priorities; converting priorities into programs with clearly defined and agreed objectives, allocating the requisite resources and setting centrally imposed standards and procedures; delegating to managers the authority to implement programs by developing the assigned human, physical and financial resources; and, providing monitoring and appraising procedures to ensure that all the actors are held fully and clearly accountable in a progressive and unbroken chain of linkages carrying through to the sovereign Parliament.¹⁰

There was increased concern over the level of accountability at the federal level in Canada during the late 1970s and a royal commission was established to address this issue and related matters. In 1979, the Royal Commission on Financial Management and Accountability concluded:

That reports of the Auditor General have caused the government serious concern that the current state of financial administration in the Government of Canada is not now adequate to ensure full and certain control over and accountability for public funds required for the expanded responsibilities and programmes that now exist; and

That it is essential that the government have the capacity to ensure in the Public Service that authority and accountability together ensure the most efficient use of resources, and that all opportunities to make savings, avoid waste and increase productivity are vigorously pursued.¹¹

The next section of this paper addresses how such concerns about accountability have been analyzed and addressed by significant structural reforms within the Ontario public sector.

Accountability in Parliamentary Practice

How are the two realms of political and administrative accountability brought together? The Provincial Auditor has outlined the theory of this interconnection:

The Government must carry out its revenue and spending plans within the authority granted by the Legislature. Pursuant to this responsibility, the Government is accountable to the Legislature for the manner in which it collects and administers these funds.¹²

It has been suggested that a fundamental feature of accountability is that "it is an often unintended by-product of the political struggle that characterizes the legislature."¹³

There are a number of significant points in the government's fiscal year which provide Members with the opportunity to scrutinize the financing of government operations, both in the House and through the various legislative committees. The Budget provides the basis for the Government's financing and spending plans, and outlines tax changes, expenditure allocations and levels, and the overall direction of economic and fiscal policy. The Treasurer tables the Budget in the House and Members debate it.¹⁴ The traditional debate and vote are not requirements under the *Standing Orders* (1992) of the Legislative Assembly. Therefore, the actual time allocated for debate varies a great deal and from 1981 to 1994, a vote was not conducted in five of the fourteen years.

The annual Estimates detail the spending requirements of the ministries and "constitute the Government's formal request to the Legislature for the approval of the expenditures involved."¹⁵ They specify each ministry's proposed operating and capital expenditures in program, activity and accounting classifications. Some Estimates are examined in detail in committee; all must be passed by the House. The annual expenditures are granted when the *Supply Act* is passed. This act authorizes payment out of the Consolidated Revenue Fund of all Estimates concurred in for the balance of the fiscal year.¹⁶ Additional funds may be appropriated through Interim Supply, Special Warrants, Treasury Board Orders, Supplementary Estimates, and Statutory Appropriations.

The *Public Accounts* contain detailed financial statements of government expenditures by program and activity. On the basis of this information, legislators are able to review all aspects of government expenditures. The primary responsibility of the Office of the Provincial Auditor is to audit government programs and activities.¹⁷ The Auditor's Report and other issues of fiscal accountability are examined by the Standing Committee on Public Accounts.

Legislative committees have come to play a key role at each of these junctures in the fiscal cycle and, in many respects, it is their deliberations that bring the political and administrative sides of the accountability equation together. On the basis of interviews with Members on the Estimates review process, the Provincial Auditor concluded in the *1987 Annual Report* that

In general, the path to improved accountability was seen to lie in the establishment of a committee (or committees) with stable membership who could develop expertise in financial issues, with qualified non-partisan research staff, and with sufficient resources to take an in depth look into Government financial plans.¹⁸

In fact two new standing committees were created; Finance and Economic Affairs, and Estimates, which now complement the efforts of the Standing Committee on Public Accounts. The three committees constitute significant forums in which

elected officials and public employees are held to account for public expenditures. The third part of this paper will review the role of these committees in promoting financial accountability, but first, two major studies and the various reforms they initiated will be discussed.

REFORM OF PUBLIC ADMINISTRATION ACCOUNTABILITY

From the 1970s on, there has been extensive discussion and considerable institutional reform designed to improve accountability mechanisms within the public sector. Leading commentators have identified two stages or streams of these reforms:

The first comprises *traditional* reforms and aims at improving accountability of elected officials and the public service, reorganizing cabinet decision-making and the bureaucracy, taking advantage of technological innovation to reduce costs and increase productivity, and defining the appropriate relationship between the government as employer and its employees. Traditional reforms typically focus on structural reorganization. The second cluster [of reforms], which derives from private sector management thinking, falls into the category of *new public management* reforms. These include ideas that emerged during the 1980s such as the service quality movement, and a focus on management development and empowering workers to adjust to rapidly changing environments. New public management reforms tend to emphasize attitudinal rather than structural change. In such a paradigm, even traditional notions of decentralization, deconcentration, and relocation are no longer cast exclusively as regional development strategies but also as means for improving relations with "clients" and communities.¹⁹

The first part of this section outlines key reports that shaped early reforms of the 1970s and 1980s. The Committee on Government Productivity (COGP) and *A Study of Management and Accountability in the Government of Ontario* (SMAGO) were landmark studies of the Ontario public sector which had a fundamental role in identifying major institutional concerns and providing direction for change. The COGP, which was completed in December 1970, concentrated on potential management problems that might confront the Government of Ontario during the next decade. Although the Report did not address accountability specifically, many of the topics considered are part of the foundation of accountability and responsibility in government. SMAGO, was initiated in the early 1980s "in response to concerns that lines of accountability were unclear, that rules were not always followed and that controls might not be adequate."²⁰

In addition, Legislative committees and the Office of the Provincial Auditor addressed accountability matters. The Standing Committee on Procedural Affairs, for example, tabled a report in 1980 which outlined proposals for a new committee system.

In conjunction with these studies and committee reports, Management Board introduced several initiatives beginning in 1972 to improve management and accountability in the provincial government. These included the Managing by Results program; an Operational Review Branch to study ministry practices; a program to enhance ministry internal audit units; the Management Standards Project to provide management guidelines; the Annual Management Report of deputy ministers before the Board; and an Information Technology Strategy project.²¹

Committee on Government Productivity

In 1969, the Committee on Government Productivity was appointed "to inquire into all matters pertaining to the management of the Government of Ontario and to make such recommendations as in its opinion will improve the efficiency and the effectiveness of the Government of Ontario."²² It was chaired by J.B. Cronyn, and comprised senior public servants, including the Secretary of Management Board and the Secretary to Cabinet, and executives from major companies. The COGP's mandate was to make recommendations with respect to efficiency, effectiveness and responsiveness, and to assist in the implementation of changes. It identified key accountability requirements in the political realm and the public service.

Foremost among these is the need to ensure that elected representatives remain fully responsible for policy decisions and for all organizations accountable to the Legislature . . .

As well, the need for a democratic government to strive continuously to develop fuller two-way communication between the public and the government was taken as a basic requirement for efficient, effective and responsive services to the public.²³

The Committee's recommendations addressed existing institutional and structural problems: the heavy pressures on a Minister's time; the demand for services exceeding available revenue; the increasing interdependence of all government activities; managing in a varied and rapidly changing environment; effective utilization of human resources; the relationship between citizens and their government; and the productive use of common services.²⁴ The Committee's primary concern was "to recommend to the Cabinet realistic and practical ways by which the management of government can be made more efficient, effective and responsive."²⁵

The COGP concluded that fundamental changes in management practices were needed to ensure the optimum use of available resources. It recommended that the following matters be addressed:

- a decision-making process at the ministerial and upper levels of the public service which will facilitate policy and priority setting;

- systems to provide continuous evaluation of the efficiency and effectiveness of government programs;
- an organizational structure which distinguishes between responsibility for policy formulation and planning on the one hand and program delivery on the other;
- the delegation of authority and commensurate responsibility for decision-making on day-to-day matters to lower levels of management within ministries and agencies;
- the existence of corporate structure and philosophy within the total organization of the Government of Ontario which will facilitate good communication and coordination of effort among the many diverse agencies; and
- a program to develop increased managerial capability throughout the service.²⁶

The COGP concluded that "the challenge then in this age of big government is to give the citizens a chance to be heard and make a positive contribution to their government."²⁷ The following COGP recommendations addressed specific administrative processes:

Strengthened Management Board

Management Board would be required to "monitor and evaluate managerial efficiency and effectiveness in the delivery of internal common services and the management of programs and activities for the public."²⁸

Experimentation with Contract Mechanisms

". . . operating ministries are accountable for the efficient utilization of resources and the effective achievement of program objectives; program managers should have the decision-making discretion and latitude to use the most appropriate resources for program execution;"²⁹

Flexibility in Organizational Design

The Committee endorsed "the principle that organizations responsible for program delivery must be allowed considerable latitude and variety in the use of management methods and organizational designs. This will enable ministries, branches, agencies, boards and commissions to manage themselves in ways which respond with sensitivity and precision to the needs of the public."³⁰

Improved Information Systems

A single Planning, Programming and Budgeting System of management should provide "the data required for other central management financial information needs, such as cash forecasting, public accounts, economic analysis and supply management."³¹

Expansion of Managerial Responsibilities

The Committee made several recommendations to offer managers the flexibility to manage resources to achieve their objectives. For example: "The pre-audit function should be transferred from the Provincial Auditor to the ministries."³² In this instance Management Board would ensure adherence to government standards.

Goal Setting and Performance Reviews

It was suggested that "a performance review system should be established which judges the output of each job in the light of its goals."³³

The Role of the Provincial Secretary

The Committee recommended improvements in the communication between government and citizens in the form of a government policy-making system comprised of provincial secretaries.³⁴

Communications Policy and Community Information Centres

"An open two-way relationship between the government and the people is crucial to effective government and the overall responsibility for leadership in government communications must rest with the cabinet."³⁵

The Committee suggested community information centres "as a means for bringing knowledge of available services to the public and as a means for receiving information from the public . . . "³⁶

Management Board's Mandate

It was suggested that the Management Board provide central control to ensure that resources are used in an efficient and effective manner.³⁷

Program Managers' Mandate

The Committee stressed the program manager's responsibility in the use of common service resources and Management Board's role in assuming "a post-rather than pre-audit role in controlling program managers' decisions in the use of common service resources."³⁸

The COGP had a fundamental impact on the public administration of the provincial government. Among the resulting changes were:

-
- a massive reorganization of the cabinet decision-making system;
 - a system of sectoral standing committees of cabinet chaired by "Provincial Secretaries";
 - a shift in the role of the Provincial Auditor from the traditional pre-audit approval to post-audit scrutiny; and
 - changes in the management and accountability links between the government and its semi-independent agencies.³⁹

Although accountability was not specifically identified in its "Terms of Reference," it was a central consideration behind the recommendations for modernizing government. The Committee on Government Productivity was an important step in acknowledging that a government's structures and institutional framework occupy a central place in any accountability system.⁴⁰

The Study of Management and Accountability in the Government of Ontario

A Study of Management and Accountability in the Government of Ontario (SMAGO) was commissioned by the Management Board of Cabinet from leading private sector consultants and reported in 1985. The Provincial Auditor had earlier raised concerns surrounding "the effectiveness of accountability mechanisms."⁴¹ The consultants' mandate was to make recommendations to improve:

- the government's accountability structure by clarifying the responsibilities of and relationships between ministries and central agencies;
- management policies by determining how administrative rules and management practices can further encourage prudence, probity and efficiency; and
- the attitudes and motivations of managers in the civil service, and the related development of human resources, by promoting a working climate that fosters adherence to the rules, value for money and innovation.⁴²

The study defined the accountability structure as a set of relationships through which:

- responsibility and authority are delegated by one organization or person to another;
- a base of objectives, expectations and performance review is established for the exercise of that responsibility and authority;
- a rendering of account take[s] place; and

- approval or discipline may ensue.⁴³

During the 1980s, Management Board of Cabinet played a key role in monitoring public administration in areas such as expenditure and personnel control.⁴⁴ The SMAGO concluded that its *Manual of Administration* was not an effective central management tool. It argued that the Manual may "restrict initiative unduly and inhibit accountability by including extensive detail, and it lacks a review mechanism to ensure that the rules continue to be effective."⁴⁵

The SMAGO concluded that: "The growth and pervasiveness of modern government have led to the development of structures and practices which often seem to blur the lines of authority and accountability."⁴⁶ It made a number of recommendations which specifically addressed the need to improve the accountability system:

- Responsibility and accountability of the minister for total ministry performance be continued and clearly recognized, in keeping with the traditions of a parliamentary democracy.
- Management Board define an accountability relationship for management policies between it and the deputy ministers, based upon the delegation of authority by the Board to the deputies of individual ministries.
- The annual management review with each deputy minister be extended to cover all the subjects within the Board's responsibility and to include those parties most directly involved in the accountability relationship. A summary meeting should then be held between the minister, the deputy minister and Management Board.
- Annual accountability reviews be conducted by Deputy Ministers on strategic matters relating to government-wide interests and the ministry, as well as the deputy's accomplishments and issues.
- The *Manual of Administration* be simplified and clarified, to make it a more effective means for communicating Management Board's administrative policies.
- The deputy ministers take the lead in communicating and reinforcing accepted government-wide values in the working climate.
- Performance appraisal, as required activity across the civil service, be fully implemented at all levels and serve to underscore desired values and performance expectations.⁴⁷

The Office of the Provincial Auditor commented on the Study in its *Annual Report, 1986*:

There has been a renewed emphasis on accountability relationships and administrative policies and practices are undergoing thorough review and revision. Greater attention has been focused on values in the working environment and on executive planning and development. The government recognizes that the processes for improvement are ongoing and that continued commitment is required to achieve a desired enhancement in accountability and in the management of human resources.⁴⁸

Management Board of Cabinet Reforms

The province initiated further changes to accountability processes as a result of these studies. The lead role in these changes was played by Management Board, a committee of Cabinet with the responsibility to develop and enforce a management philosophy promoting efficiency, effectiveness and accountability in government. It developed new administrative policies for ministries and agencies. Management Board of Cabinet's *Directives* and *Guidelines* documents succeeded the *Ontario Manual of Administration* in 1986. In addition, Management Board issued the *Audit Guides* in 1990 which provide criteria for internal auditors in such areas as transfer-payment accountability.

These documents consolidated the Ontario Public Service's "Management Series" and clarified its management philosophy. Management Board of Cabinet has continued to refine and update the administrative policies for accountability in ministries and agencies. Today, the responsibility for the former Management Board directives and guidelines has been moved to the individual ministries. The *unofficial* working title for the directives and guidelines during this period of revision is *The Government of Ontario's Policy on Directives and Guidelines*.⁴⁹

Directives

There are some 40 directives currently in force based on corporate values for management decision-making which address "excellence in service to the public, employees as a critical resource and excellence in management."⁵⁰ According to Management Board, "the directives are clear and concise statements of policy" which outline administrative principles, requirements and responsibilities. The directives cover eight subject areas: Program Management; Purchasing and Supply Management; Real Property; Employee Expenses; Creative Services; Appointees, Agencies and Royal Commissions; Information Technology; and Freedom of Information. The Program Management section includes two directives on accountability; namely, "Accountability" (No. 1-4) and "Transfer Payment Accountability" (No. 1-11). The *Directives* apply to all ministries and the majority of Schedule I agencies (unless exempt by a Memorandum of Understanding) and, in specific cases, to Schedule II and III agencies.⁵¹

The *Guidelines* offer additional information in the form of practical procedures to assist the manager in fulfilling Management Board's requirements.⁵² Unlike the *Directives*, they are not subject to audit.

Accountability Directives

The *Accountability* and the *Transfer-Payment Accountability* directives established reporting frameworks for the management of public funds. The purpose of the Management Board of Cabinet's directive on Accountability, for example, is "to define the accountability of the deputy head of each ministry and the Management Board of Cabinet as it pertains to administrative practice."⁵³ The principles provide a framework for required practices:

Accountability involves setting expectations, delegating authority, joint monitoring of progress and corrective action when required.

The deputy head is responsible to the minister for the administration of the ministry and to the Management Board for the efficient and effective management of ministry programs and for compliance with the directives.

Whenever possible, decisions are to be made at the ministry level.

The Management Board Secretariat, in partnership with ministries, must develop procedures for assuring Cabinet that ministry programs are being administered in an efficient and effective manner.

Management Board involvement should focus on issues that affect significant human resources or major administrative policy issues.⁵⁴

The deputy heads are responsible for establishing administrative procedures; developing management and control systems with an audit capacity; obtaining approval on allocation increases; reviewing a ministry's financial and human resources management processes, policy and issues; and finally, obtaining any required exemptions in directive requirements from Management Board.⁵⁵

The directive on "Transfer Payment Accountability" issued in 1988 "establishes principles to ensure that ministries establish an effective framework for transfer payment recipients to account for their management of public funds."⁵⁶ Transfer payments comprise in excess of 70% of government expenditures in Ontario, covering disbursements for various purposes such as grants for hospitals, municipalities, school boards and universities. The major steps in the accountability of transfer payments include: setting expectations (objectives and results); entering into an agreement with the recipient; timely reporting on the achievement of objectives and results; the pursuit of corrective action as required; proper program authorization, and the establishment of links between the program and the ministry's management processes.⁵⁷

Management Board emphasizes that "effective accountability requires that the transfer payment program is appropriately linked to the ministry's management processes."⁵⁸

- At a minimum, proper financial planning, control and verification procedures should apply to all transfer payments.
- Appropriate cash flow forecasting and budgetary control techniques are in place.
- Procedures are in place to ensure that payments made are correct and go only to eligible recipients.⁵⁹

In 1990 the Standing Committee on Public Accounts tabled a report on the audit of government agencies. The Committee noted that inspection audits of transfer payment recipients are limited in scope and do not have the breadth of a value for money audit. The Committee recommended that the Provincial Auditor should have discretionary authority to audit agencies of the Crown and Crown-controlled corporations, which would include such bodies as the Workers' Compensation Board, the Ontario Energy Corporation, Ontario Hydro and the Stadium Corporation of Ontario Limited (SkyDome). Furthermore, to ensure meaningful reporting and accountability to the Legislature, the Committee recommended that the *Audit Act* should be amended to provide the Provincial Auditor with the discretionary authority to perform value for money audits of any government agency and all transfer payment recipients.⁶⁰

Audit Guides

In 1990 Management Board released a document entitled *Audit Guides* which is designed to assist internal auditors.⁶¹ It provides generic guidelines for auditors in internal ministry audit branches and lines of inquiry for audit compliance with the directives.⁶² "The deputy head of each ministry is responsible for compliance with the directives. To assist deputies in discharging this responsibility, internal auditing is to include the auditing of controls to ensure adherence with the directives."⁶³

The *Audit Guides* address the following subject areas: Advertising and Creative Communications; Supplies, Equipment and Services; Employee Expenses and Transfer Payment Accountability. It is the auditor's responsibility to incorporate the guidelines into an audit program, taking into account the relevant documentation from the branches and ministries being audited. For example, the audit guide for Advertising and Creative Communications suggests that the selection process be provided to all qualified vendors and that a competitive selection process be utilized to ensure that ministries and agencies acquire these services fairly. The Office of the Provincial Auditor may report on such matters as competitiveness in the acquisition of services in conducting an audit.

Recent Reform Initiatives

Ongoing public administration reform initiatives have addressed re-engineering of the bureaucracy, enhanced client service, and the assessment of existing programs.⁶⁴ The Liberal government established the *Tomorrow Project* in 1989 which "sought to explore different ways of organizing the Ontario government to deliver services and programs better, and to recommend an agenda for change."⁶⁵ The Tomorrow Project was to be a massive reorganization in the civil service, but it was overtaken by the election of a new government in 1990.⁶⁶ The NDP government embarked on the "Shared Accountability Framework" (SAF) in the second year of its mandate.

Leading commentators have argued that while the SAF evolved from ideas of the Tomorrow Project, it also

represented a new approach for improving the accountability of line ministries to cabinet and an attempt to define a new role for Management Board. It contained elements of the Increased Ministerial Authority and Accountability (1986) and the Shared Management Agenda (1991) processes utilized by the Treasury Board Secretariat in Ottawa.⁶⁷

SAF was to be the instrument by which the government would address staff reductions, monitor progress on downsizing, initiate management layering and introduce employment equity.⁶⁸ Furthermore, it was to relate these human resources developments to other issues such as service quality, and presented an opportunity for the consolidation of the line ministries' reporting framework through the Information Technology Strategic Plan.⁶⁹

It has also been argued that some aspects of the SAF initiative have been carried over to the mid 1990s, for example, in workforce adjustment and downsizing, and the business improvement plans for reducing costs and improving productivity.⁷⁰ By 1995 the focus within government had changed from piecemeal management initiatives to a very concentrated focus on changes related to reducing the provincial debt and deficit levels. Within this, various new initiatives are being pursued that could enhance accountability. In July 1995, the new government announced the establishment of a commission "to look at how the Province recorded its financial transactions, kept its accounts, managed its finances and organized its work."⁷¹ The Commission's eight members were from the accounting profession and the broader business community.⁷² The government instructed the Commission to consider:

- Adopting the PSAAB [Public Sector Accounting and Auditing Board] standards used in the financial statements in the Public Accounts for the Budget and Estimates.
- Better ways of forecasting revenues and planning spending so that government can be more certain of achieving its fiscal targets.
- Ways of getting the right financial information out more quickly.

- Improving the way government manages its finances and reports on financial matters.
- The way that Crown agencies report their financial dealings and activities.⁷³

The Commission's report entitled *Beyond the numbers: A new financial management and accountability framework for Ontario* called for major changes in accountability mechanisms as follows:

The Commission agrees with government's focus on deficit and debt reduction as a major priority. Using resources more efficiently is one way to help government meet its targets while preserving vital public services.

To that end, the Commission believes its most important recommendations relate to planning:

- planning that requires organizations to measure their progress towards appropriate goals is the road to more effective and efficient use of public resources;
- planning that makes allowance for unforeseen events reduces the risk that government will fail to meet its debt and deficit targets.⁷⁴

In addition, the Commission made recommendations on such matters as fiscal management and revenue forecasting; business plans and performance measurement; and agencies' financial reporting.⁷⁵ The recommendation on business planning proposed an integrated framework linking planning, monitoring, reporting and evaluation to improve management and accountability across ministries.⁷⁶

ACCOUNTABILITY AND THE LEGISLATURE

The above section has outlined the evolution of increasingly systematic accountability mechanisms within public administration in Ontario. But what has been happening in the legislative realm and how are these administrative processes and outcomes brought under the scrutiny of the Legislature? There are two crucial mechanisms discussed below:

- one is a long-standing office of the Legislature, the Provincial Auditor, whose role has greatly expanded with the growth of modern government; and
- the second consists of important parliamentary reforms which have rationalized and re-organized the oversight function of legislative committees in relation to accountability.

Legislative Committees and Financial Accountability

Graham White, in *The Ontario Legislature*, argues that "over the past two decades many of the most important improvements in the legislature, be they carefully thought out reforms or unplanned evolutionary changes, have occurred in the realm of the committee system. Moreover, as is common elsewhere, would-be reformers tend to focus their hopes and schemes for future progress on committees."⁷⁷ This reflects that:

. . . in many ways the real work of the legislature is done in committee, whether that work entails scrutiny of the executive and fostering of governmental accountability, the development and refinement of policy, the representation of individual and group interests to government, or the legitimization of the entire political system.⁷⁸

More specifically, Committees have come to play a key role in promoting accountability. Professor White cautions us to remember:

Another distinction crucial to an appreciation of parliamentary accountability is that between scrutiny and control. 'Control' implies the power to deny, approve, or alter; except in formal, legalistic senses, parliaments lack such power over government policy or spending. Scrutiny, however, is a realistic goal, a goal generally accepted as legitimate by governments that would be loath to submit to parliamentary control . . . one of the most effective ways of scrutinizing government is to call the policy-makers and administrators before parliamentary committees to explain and account for their activities.⁷⁹

As noted, the financial accountability cycle is comprised of three main components; the Budget, the Estimates and the *Public Accounts*, each of which is considered by the Standing Committees on Finance and Economic Affairs, Estimates, and Public Accounts respectively. They will be discussed below. But first of all, the Legislature has established key offices, independent of government and reporting to the House, which play a crucial role in facilitating government accountability to the Legislature.

Office of the Provincial Auditor

In the fiscal realm, the most important is the Office of the Provincial Auditor. It reports on government-wide financial accountability matters on an annual basis, including such topics as the provincial financial statements, financial information for decision making, governance and accountability, and measuring and reporting on performance. The Provincial Auditors' objectives are:

- to assist the Legislature in holding the Government and its administrators accountable by reporting to the Legislature on the quality of the administration's stewardship of public funds; and

- to assist Deputy Ministers/agency heads in holding their administrations accountable by reporting to them on the quality of the ministries'/agencies' stewardship of public funds.⁸⁰

The Office conducts four categories of audits: value for money, attest, compliance, and inspections of transfer payment recipients. The value for money audit is "designed to assess components of the management function related to economy, efficiency and procedures to measure effectiveness;" financial or attest audits are "designed to attest to (express a legal opinion on) a set of financial statements;" compliance auditing "assesses whether transactions and other aspect of ministry and agency operations are in compliance with legislative and administrative requirements;" and inspection audits of transfer payments are "defined as examinations of accounting records . . . normally value for money oriented."⁸¹

The audit reports are submitted to deputy ministers and agency heads, and each year a selection of these reports are included in the Auditor's *Annual Report*. In addition to the audits of ministries and agencies of the Crown, the Provincial Auditor may be directed by the Standing Committee on Public Accounts to examine matters in the *Public Accounts* and to conduct special audits. The *Annual Report* is tabled in the Legislature and the public may attend the open sessions of the Committee.

Standing Committee on Public Accounts

The Provincial Auditor's *Annual Reports* and the *Public Accounts* are permanently referred to the Standing Committee on Public Accounts under the *Standing Orders* of the Legislative Assembly. In addition, Members may introduce other matters of a financial accountability nature for consideration. The Committee has defined its role as follows:

The Committee, on behalf of the Legislative Assembly, holds the government accountable for the expenditure of public funds. Matters of public administration rather than policy issues are addressed in the investigation of audit reports and the *Public Accounts*. Reports are tabled in the House on matters [of] . . . public accountability in relation to the stewardship of public funds.⁸²

The Committee selects specific sections from the Auditor's *Annual Reports* for detailed examination. The Committee investigates administrative accountability, compliance with the government's *Directives* and *Guidelines*, and overall accountability of the government and the bureaucracy. Management decisions on expenditures, for example, are assessed on the basis of the economy, efficiency and effectiveness of operations. In addition, the Committee considers items referred by a resolution of the House or the Committee.

The deputy ministers (or their equivalents in Crown Corporations) and other officials are questioned by Committee members on the audit reports and they respond to problems identified by the Provincial Auditor in public hearings. The Committee then reports its observations and recommendations to the House on the Ministry, program or issue under review.

The Committee's reports have covered a broad range of matters, which include:

- the reliability and appropriateness of information in the *Public Accounts*;
- the collection and accounting of revenues;
- the maintenance of expenditures within the limits and for the purposes authorized by the Legislative Assembly;
- the adequacy of safeguards to protect assets from loss, waste, and misappropriation;
- the regard for economy in the acquisition of goods and services;
- the regard for efficiency in operations;
- the effectiveness of programs in achieving their stated objectives;
- the examination of the Premier's travel expenditures; and
- the consideration of proposed changes to legislation related to legislative accountability (e.g., *Audit Act*).⁸³

The Provincial Auditor's office has concentrated on both traditional financial auditing and value for money auditing in recent years; however, the Auditor's annual reports to the Legislature primarily address value for money audit reports. Also, the work of the Standing Committee on Public Accounts has tended to focus on these audit reports, in part because their more detailed analysis provides better information for evaluating accountability.

The Committee has also been a forum for discussing possible changes to the Auditor's legislative framework. In 1991, the Auditor made several recommendations to redirect the Office's focus.

- The Provincial Auditor should be relieved of audit responsibilities for certain agencies through contracting-out; economies resulting from contracting-out would be redirected to value for money audits.
- The definition of an "inspection audit" should be broadened to permit audits on a value for money basis.

- The *Audit Act* should be amended to provide the Office of the Provincial Auditor with discretionary audit access to government agencies audited by private sector auditors. Access should be permitted on a value for money auditing basis.⁸⁴

In 1995 the Auditor noted that "a framework that is legislated becomes a tool of the Legislative Assembly and ministers to help ensure cost-effective program and service delivery."⁸⁵ Amendments to the *Audit Act* are currently being discussed in the Standing Committee.

The Committee has also participated in the work of the Canadian Comprehensive Auditing Foundation. The private, professional and public sector membership of the Foundation believe that there is a need "to review and report on the management of financial, human and physical resources so as to provide the greatest possible degree of accountability in the expenditure of public funds."⁸⁶

Standing Committee on Finance and Economic Affairs

In 1985, the Ministry of Treasury and Economics released a discussion paper entitled *Reforming The Budget Process*. It recommended that a Standing Committee on Economic and Fiscal Affairs be struck to:

- receive [and consider] the *Ontario Economic and Fiscal Outlook*;
- hold pre-budget hearings;
- review all tax legislation arising from the budget; and
- prepare a recommendation on the overall level of provincial revenues, expenditures and net cash requirements.⁸⁷

The proposed pre-budget process was seen to be an important innovation:

A major new role for the Legislature in conducting pre-budget hearings and in providing direct input into spending and revenue decisions is proposed. The proposed Standing Committee on Fiscal and Economic Affairs would represent a significant innovation in budget development and would provide greater access to the budget process for all Ontarians.⁸⁸

The Standing Committee on Finance and Economic Affairs was created in April 1986, following the completion of the mandate of the Select Committee on Economic Affairs. This new Committee initiated hearings on the pre-budget process at the end of that year and these annual hearings have continued to the present. In 1987 the Committee also considered the Canada-United States Free Trade Agreement and produced a report in 1988, and has continued to examine various other aspects of financial policy since.

How effective the Committee's pre-budget hearings are as a source of input to the government continues to be debated. In 1992 the Treasurer pointed out that the "traditional approach doesn't allow the public to learn what choices the government faces in drawing up a budget, nor does it allow Ontarians to take part in informed pre-budget discussions on how public finances should be managed. It prevents the informed open debate that should be a cornerstone of democracy."⁸⁹ To address these concerns, the *Ontario Fiscal Outlook* and the *Ontario Economic Outlook* were prepared to provide a full accounting of the province's financial information and the economic circumstances prior to the budget.⁹⁰

The Standing Committee on Estimates

Graham White, in *The Ontario Legislature*, addressed the accountability limitations and opportunities related to the review of the Estimates, prior to the creation of the Standing Committee on Estimates in 1989:

The real value of estimates lies in the preparation that ministers and civil servants must make for them: no one is certain what the opposition will ask, and the government must be prepared to explain and justify its policies at length in a very public forum before its principal political enemies. As is generally the case with parliamentary accountability, the estimates debates themselves are normally far less effective in fostering accountability than the fear engendered in government by their mere existence.⁹¹

Creating the Standing Committee in 1989 has allowed the Estimates review process to become more meaningful. It offers Members the opportunity to scrutinize public expenditures in a formal committee setting and those responsible for the preparation of the ministry Estimates and for the actual expenditures on a daily basis are required to attend hearings and to respond to questions in a public forum.

The Provincial Auditor recently recommended that the Standing Committee on Estimates focus on "future-oriented ministry business plans" for the forthcoming years as opposed to committed expenditures.⁹² A business planning approach could include ministries' strategic priorities, initial estimates of program expenditures, outstanding ministry issues, and expected program results.⁹³ The Auditor noted that Alberta introduced business planning

. . . to streamline government functions, reduce costs, increase and improve service (or output), and refocus government service on essentials and improve accountability based on measurable outcomes. They also increased the planning framework from one year to three.⁹⁴

In Alberta each ministry was required to prepare a plan which included "a vision or mission statement, goals, objectives and strategies. The central motivator of

each plan was its three-year budget and how it was going to realize it's [*sic*] allotted reduction."⁹⁵

As noted above, the 1995 report of the Ontario Financial Review Commission had recommended several options for these plans based on the "belief that the Legislature is the proper forum for public accountability."⁹⁶ According to the Commission, a business plan framework would essentially provide "that government adopt a prudent planning framework which encourages cautious forecasting and better expenditure planning; monitors results for the purposes of taking any corrective action that is needed; and includes provisions for unexpected changes in its economic outlook in order to ensure that it meets or exceeds its deficit and debt reduction targets in the most effective and efficient way."⁹⁷ The government has adopted this concept as a component of the broader financial accountability system. The province released its first set of Business Plans in May 1996 for the ministries, the Office of Francophone Affairs, the Ontario Native Affairs Secretariat, and the Office Responsible for Women's Issues. These documents define the province's core areas of business and responsibilities, strategies for change, and proposed performance measures to be followed in the evaluation of service delivery.

CONCLUSION

Historically, accountability has been an important component and test of responsible government; but the concept has evolved to mean much more than the traditional doctrine of ministerial responsibility. As the scope of government has expanded in contemporary society, the question of how to hold governments accountable for their growing expenditures has become increasingly important. This paper has provided an historical context for current debates on government fiscal accountability by reviewing fundamental problems in the accountability process identified in major provincial studies from the 1970s on, and by reviewing the subsequent initiatives taken to improve public sector administration.

Efforts to systematize accountability responsibilities and measurement, especially with the introduction of Management Board's 1986 *Directives* and *Guidelines*, were important steps in the redefinition of accountability relationships in the Ontario Public Service. The 1990 *Audit Guides* document was a further refinement of internal accountability procedures, with important provisions to address transfer payment accountability. These various guidelines established a new framework to encourage and promote administrative responsibility and accountability in the public service.

The provincial government has continued to introduce reforms through the 1990s which will restructure accountability mechanisms, in the context of downsizing and expenditure reduction. For example, the Estimates are being prepared by means of a new business plan approach on an experimental basis.

Within these changes in public administration, the Legislature remains an important forum for debate on accountability and Standing Committees have come to play a key role at each stage of the government budgetary and fiscal cycle. The committees have been exploring new directions to enhance accountability; Public Accounts, for example, has broadened its scope by examining public expenditures in transfer payment recipients, such as school boards and universities. The links between the Standing Committees on Estimates, Finance and Economic Affairs, and Public Accounts have not been defined on a formal basis, but there appears to be an increasing awareness of the reinforcing roles these committees could play. The Provincial Auditor recommended in the *Annual Report, 1987* that:

. . . the [Estimates] Committee coordinate its work with that of the Standing Committee on Public Accounts and the Office of the Provincial Auditor. For example, in a given fiscal year, the proposed expenditures of certain ministries would be reviewed and approved by the newly formed committee. Later, the actual expenditures of the same ministries would be audited by the Provincial Auditor and commented on in the Auditor's Annual Report to the Legislature. These comments would be subsequently examined by the Standing Committee on Public Accounts.⁹⁸

NOTES

¹ Ontario, Ministry of Finance, *1995 Fiscal and Economic Statement* (Toronto: The Ministry, 1995), p. 59, 1995-96 Fiscal Plan: Reconciliation to PSAAB. (Public Sector Accounting and Auditing Board)

² Ontario, Public Appointments Secretariat, *Guide to Agencies, Boards and Commissions* (Toronto: The Secretariat, 1994), p. 3.

³ Graham White, *The Ontario Legislature* (Toronto: University of Toronto Press, 1989), p. 204.

⁴ Ibid.

⁵ Office of the Provincial Auditor, *Annual Report, 1987* (Toronto: The Office, 1987), p. 7.

Note: In subsequent references to the various annual reports of the Office of the Provincial Auditor, only the year of the document and the page number will be cited.

⁶ F.F. Schindeler, *Responsible Government in Ontario* (Toronto: University of Toronto Press, 1969), pp. 266-267.

⁷ Ibid., pp. 373-374.

⁸ Ontario, Management Board of Cabinet, *Directives* (Toronto: The Board, looseleaf), as of September 1986, Index/Glossary. This Management Board definition was prepared in 1986 and it was suggested that the *Manual of the Office of the Treasury* be consulted for an explanation of *financial* accountability. The *Directives* and *Guidelines* documents are in the process of being revised by the Management Board and Treasury Board. The new document's **unofficial** title is *The Government's Policy on Directives and Guidelines* (May 1995). The original Index/Glossary section in the *Directives* has not been revised.

⁹ The Royal Commission (Lambert), p. 10.

¹⁰ Ibid.

¹¹ Ibid., pp. v and vi.

¹² *Annual Report, 1987*, p. 9.

¹³ White, *The Ontario Legislature*, p. 208.

¹⁴ *Annual Report, 1987*, p. 7.

¹⁵ Ontario, Ministry of Finance, *Expenditure Estimates 1993-94* (Volume 1), p. v.

¹⁶ *Annual Report, 1987*, p. 8.

¹⁷ *Annual Report, 1994*, p. 214.

¹⁸ *Annual Report, 1987*, pp. 14 and 15.

¹⁹ Evert A. Lindquist and Graham White, "Streams, springs, and stones: Ontario public service reform in the 1980s and 1990s," *Canadian Public Administration* 37:2 (Summer 1994): 269.

²⁰ Price Waterhouse Associates and the Canada Consulting Group Inc., *A Study of Management and Accountability in the Government of Ontario* (Toronto: Management Board of Cabinet, 1985), p. 1.

²¹ Ibid., Background Papers, p. 9.

²² Ontario, Committee on Government Productivity (J.B. Cronyn, Chair), *Report Number Ten: A Summary* (Toronto: The Committee, March 1973), p. 85.

²³ Ibid., p. 4.

²⁴ Ibid., p. 5.

²⁵ Ibid., p. 1.

²⁶ Ibid., pp. 4 and 5.

²⁷ Ibid., p. 19.

²⁸ Ibid., p. 9.

²⁹ Ibid., p. 10.

³⁰ Ibid., pp. 13 and 14.

³¹ Ibid., p. 15.

³² Ibid., p. 17.

³³ Ibid., p. 18.

³⁴ Ibid., p. 20.

³⁵ Ibid.

³⁶ Ibid., p. 21.

³⁷ Ibid., p. 24.

³⁸ Ibid., p. 26.

³⁹ Lindquist and White, *Canadian Public Administration* (Summer 1994): 271.

⁴⁰ Committee on Government Productivity, *Report*, p. 82.

⁴¹ Lindquist and White, *Canadian Public Administration* (Summer 1994): 274.

⁴² Price Waterhouse Associates and the Canada Consulting Group Inc., *Study of Management and Accountability in the Government of Ontario* (Toronto: Management Board of Cabinet, 1985), p. 1.

⁴³ Ibid., pp. 2 and 3.

⁴⁴ Ibid., p. 5.

⁴⁵ Ibid., p. 8.

⁴⁶ Ibid., p. 3.

⁴⁷ Ibid., pp. 14-18.

⁴⁸ *Annual Report, 1986*, p. 19.

⁴⁹ Telephone interview with Shirley Lobraico, Management Board, Toronto, 10 May 1995 at (416) 327-2050.

⁵⁰ Management Board of Cabinet, *Directives*, as of July 1986.

⁵¹ Ibid.

⁵² Ontario, *Managing Together*, Edition No. 15 (Toronto: Management Board of Cabinet, 1987), pp. 1-2.

⁵³ Ontario, Management Board of Cabinet, *Directives* (Toronto: The Board, looseleaf), as of September 1994. Directive 1-4, p. 1.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Ontario, Management Board of Cabinet, *Audit Guides: Suggested Criteria for Internal Auditors* (Toronto: The Board, 1990), p. 4.0.1.

⁵⁷ Ibid., pp. 4.0.3. and 4.0.4.

⁵⁸ Ibid., p. 4.0.12.

⁵⁹ Ibid.

⁶⁰ Ontario, Legislative Assembly, Standing Committee on Public Accounts, *Report No. 2* (Toronto: The Committee, 1990), pp. 31 and 32.

⁶¹ Ontario, *Audit Guides* (Toronto: Management Board of Cabinet, 1990), p. 1.

⁶² Ibid., p. i.

⁶³ Ibid.

⁶⁴ Lindquist and White, *Canadian Public Administration* (Summer 1994): 269.

⁶⁵ Ibid., p. 268.

⁶⁶ Thomas Walkom, "How Bob Rae hopes to set the agenda", *Toronto Star*, 1 October 1990, p. A13. The Tomorrow Project was in the early stages in 1989, and was surpassed by the election of the new government in 1990. Documentation on this initiative is very limited.

⁶⁷ Lindquist and White, *Canadian Public Administration* (Summer 1994): 290.

⁶⁸ Ibid.

⁶⁹ Ibid., p. 291.

⁷⁰ Ibid., p. 292.

⁷¹ Ontario, Ontario Financial Review Commission (William H. Broadhurst, Chair), "Beyond the numbers: A new financial management and accountability framework for Ontario" (Toronto: The Commission, 1995), p. 67.

⁷² Ibid., Appendix 2.

⁷³ Ibid., pp. 67 and 68.

⁷⁴ Ibid., p. 2.

⁷⁵ Ontario Financial Review Commission (Broadhurst), pp. 3-12.

⁷⁶ Ibid., p. 7.

⁷⁷ White, *The Ontario Legislature*, p. 154.

⁷⁸ Ibid.

⁷⁹ Ibid., pp. 206 and 207.

⁸⁰ *Annual Report, 1990*, p. 205.

⁸¹ Ibid., p. 217.

⁸² Ontario, Legislative Assembly, Standing Committee on Public Accounts, *Biennial Report 1992 & 1993* (November 1994): P-2.

⁸³ Ontario, Legislative Assembly, Standing Committee on Public Accounts, *Annual Report 1989* (March 1990): P-ii.

⁸⁴ Ontario, Legislative Assembly, Standing Committee on Public Accounts, *Annual Report, 1990-1991* (Toronto: The Committee, 1992), p. 16.

⁸⁵ *Annual Report, 1995*, p. 17.

⁸⁶ John J. Kelly and Hugh R. Hanson, *Improving Accountability* (Ottawa: Canadian Comprehensive Auditing Foundation, 1981), p. ii.

⁸⁷ Ontario, Ministry of Treasury and Economics, *Reforming The Budget Process* (Toronto: The Ministry, October 1985), p. 6.

⁸⁸ *Ibid.*, p. 11.

⁸⁹ Ontario, Ministry of Finance, "Ontario Fiscal Outlook" (Toronto: The Ministry, January 1992), p. 1.

⁹⁰ *Ibid.*

⁹¹ White, *The Ontario Legislature*, p. 152.

⁹² *Annual Report, 1995*, p. 34.

⁹³ *Ibid.*

⁹⁴ Greg Flanagan, "Alberta Government Business Plans," *Management* 6:3 (Institute of Public Administration of Canada, 1995): 13.

⁹⁵ *Ibid.*

⁹⁶ Ontario Financial Review Commission (Broadhurst), p. 1.

⁹⁷ *Ibid.*, p. 2.

⁹⁸ *Annual Report, 1987*, p. 15.

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